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SUBJECT: POLITICAL CURRENTS THREATEN TO SINK CENTRAL BANK
GOVERNOR

Classified By: COM Thomas B. Robertson for reasons 1.4 (b) and (d)

11. (C) Summary. Central Bank Governor, Mitja Gaspari, widely credited for guiding Slovenia's successful adoption of the Euro, finds himself embroiled in a political controversy that threatens his renomination as Governor. Right wing legislators accuse Gaspari of undermining Slovenia's credibility with the European Central Bank (ECB) based on a leaked report sent from the Slovenian Central Bank to the ECB in November.

12. (C) Summary Continued. In the last week of his first term as Central Bank Governor, Mitja Gaspari invited COM, on short notice, to meet with him at Bank headquarters. The purpose of the meeting was not entirely clear, even after it had ended, and Gaspari clearly was not at ease. Gaspari, who has been nominated by President Drnovsek for a second term as Bank Governor, finds himself under a political cloud manufactured by far right nationalist (SNS), and sometime rabble rousing member of parliament Zmago Jelincic. Though he made a pretense of wanting to brief the Embassy on the path to the Euro and to urge the GoS to maintain good fiscal discipline now that it has joined the Euro zone, we assume Gaspari was encouraged to engage the U.S. Ambassador by his political supporters in case there was any chance for an intercession with PM Jansa on his behalf. (Note. It is widely believed among some politicians, particularly in the oppositin and the public that the U.S. Embassy in Ljubljana has significantly more influence over policy making in the GoS than could realistically be the case. End Note) End Summary.

13. (C) On short notice, COM with Pol/Econ Chief accepted Central Bank Governor Mitja Gaspari's invitation to visit him in his offices. No specific reason was given for the request, but in light of the media frenzy surrounding his re-nomination by President Drnovsek to continue in his position, it seemed likely he would want to talk about that. Opening the meeting, Gaspari summarized the Bank's work in preparing for the Euro and did ask for the USG to advocate with the Minister of Finance and others to stay the fiscally conservative course, now that Slovenia is in the Euro zone. He suggested that Slovenia was "coming to the end of a cycle of prosperity" and that the GoS needed to be prepared for a downward trend in 2008. Now that it is in the Euro zone, there are many fewer tools for the government to cushion against external economic shocks (i.e. foreign competition.) COM agreed that Slovenia would need to be vigilant and he had confidence in the Minister of Finance and Gaspari, himself, who had worked so well together to bring Slovenia into the Euro zone.

14. (C) Acknowledging the elephant in the room, COM then asked about upcoming parliamentary vote for Central Bank Governor. Gaspari told COM that he was "not lobbying" for his job. The story in the press is about a report sent by the Central Bank to the ECB which, ostensibly, was overly critical of the GoS. And for this, Jelincic claims Gaspari is a disloyal Slovene and should not keep his job. Gaspari says the "uncleared document left the bank" at the time he was in the U.S. in November. It's existence was "frozen" for a few weeks (presumably until the festivities surrounding the Euro introduction were completed) and became news two weeks ago. He said it was all clearly politically motivated, the vote would be close and he was prepared to accept either outcome.

15. (C) Comment. Conventional Wisdom says SNS MP Zmago Jelincic is doing this at the behest of the Jansa government which would like someone else as Bank Governor. Jansa, however, would be hard pressed to make anything but a weak political case for Gaspari's removal. This political kerfuffle gives members of parliament sufficient cover to vote against the President's choice in Friday's vote. That vote promises to be close with a 44:44 split already developing leaving the two minority MPs (Italian and Hungarian) to break the impasse. Otherwise, all would agree, Gaspari has had an exemplary term as Central Bank Governor, enjoys the respect of his peers in Europe and abroad, and has ably guided Slovenia to joining the Euro when no other new EU member could make the grade. Interestingly, Gaspari admitted that he had met with PM Jansa but gave no hint as to the outcome of that discussion.

16. (C) Comment Continued: Digging a little deeper into the political motivations behind the maneuvering to remove Gaspari, it seems Jansa sees Gaspari as Drnovsek's man and

still beholden to the LDS. Gaspari's credentials and the general high regard for his work are hard to question. However, he was Drnovsek's Minister of Finance and Drnovsek put him into his current job. It is rumored that Gaspari is the keeper of some dark secrets about the financing arrangements between the LDS and major (government owned) Slovenian businesses that may continue though LDS is out of power. It is may be that Jansa wishes, at least, to send a shot across Gaspari's bow, if not push outright for his removal. End Comment.
ROBERTSON